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RECENT CHANGES IN SOVIET BLOC ECONOMIC CO-ORDINATION

Introduction

The full effects of the Polish and Hungarian uprisings in the autumn of 1956 on bloc-wide economic co-ordination and integration cannot be stated with precision; nonetheless, certain developments during the months since the uprisings suggest that the motivating force behind increased economic integration shifted from one which was essentially multilateral in nature to one which became increasingly bilateral. The first form involves the Satellites as joint partners in co-ordination, with the USSR as the focal point. The second differs from the first in that Moscow emphasizes individual contacts between the USSR and each Satellite, playing down the joint co-ordination of economic activity. This shift probably reflects Soviet attempts to re-cement economic ties between the USSR and the Satellites.

Nature of Bloc Co-ordination and Integration up to Autumn, 1956

After the formation of CEMA in 1949 economic intercourse among the Satellites, and between them and the USSR, became increasingly multilateral. This trend toward multilaterally-agreed courses of economic action in the bloc was accelerated during the first half of 1956 when a program of specialized production for 1957-1961, involving an extended division of labor for all CEMA members, was announced. The standard of perfection expressed by CEMA director P. Nikitin,* however, was only ill-approached in practice. Under direction of the USSR, Satellite trade and production plans were co-ordinated through CEMA, an attempt to unify production standards throughout the bloc was pursued, and scientific-technical and financial aid was extended among all members. In brief, between 1949 and mid-1956, the movement toward economic integration was directed from Moscow, but in a multilateral frame of reference with joint contributions from the European Satellites.

The Period of Bilateralism

Since the Hungarian and Polish uprisings in the second half of 1956, on the other hand, the chief developments in intra-bloc economic intercourse have been bilateral in nature. Although bilateral economic relations do not, in themselves, preclude multilateral relations (the first may be the practical working out of the second), the Soviet emphasis on bilateralism since autumn, 1956, appears significant. To a large extent, it may represent a reorientation of Satellite economies toward Moscow, rather than toward one another. Moscow has found its most useful tool in effecting this

* The integration of plans [annual and long-range] permits an intelligent utilization of the international division of labor with the aim of maximizing the economic development of each country on the basis of its natural and economic conditions, its natural peculiarities, in accord with the interests of the entire socialist camp."

reorientation to be economic agreements reached with visiting heads of Satellite governments. These agreements, typically, have stated either plans for extended co-ordination between the particular Satellite economy and that of the USSR, or some form of economic-technical aid to be granted by the USSR, or both.

Rumania's visit to Moscow in December 1956, brought forth the cancellation of a debt, as well as new loans amounting to over \$100 million for wheat, fodder, and industrial goods. In the case of Czechoslovakia, the visit of its leaders to Moscow in January 1957 resulted in a commitment for closer integration between its economy and that of the USSR. No loan or debt cancellation was granted Czechoslovakia, although an unspecified amount of assistance has been promised in the mining of uranium and the building of an atomic power station. The East German visit to Moscow in January 1957,* occasioned an announcement that trade between the two countries this year will exceed that of 1956 by over 30 percent (the 1956 trade volume had expanded over the previous year also by more than 30 percent) and that greater integration of the two economies is to be pursued. The visit of the Bulgarians in February 1957 produced a small loan with an agreement on the part of Bulgaria to specialize in vegetable and fruit production for exports. In April 1957, the USSR cancelled Albania's debt on industrial properties, and, in addition, promised long-range aid for Albanian economic development, as well as an immediate credit to finance imports of feed.

Poland and Hungary received the most massive concessions. Polish debts to the extent of \$525 million were cancelled; Poland received two loans, one for Soviet wheat to be delivered immediately to a value of \$100 million, and another of \$175 million for Soviet goods to be delivered in 1958-1959. The USSR agreed to make \$187 million of Soviet goods available to Hungary in 1957, and deferred \$37.5 million and cancelled \$35 million of Hungarian debts. In relative terms, these parts of the concessions relating to deliveries of Soviet commodities alone amount to about five percent of GNP in the case of Hungary, and less than one percent in the case of Poland.

This prominence given bilaterally-based economic intercourse within the bloc has had its reflections in intra-Satellite relations. Apart from bilateral trade agreement negotiations which are quite normal for this time of the year, Satellite representatives have met in bilateral negotiations for a variety of matters. In January 1957, representatives of the Rumanian and Czechoslovakian Communist parties met in Bucharest following

* Before the uprisings, in July 1956 during a previous Moscow visit, East German leaders concluded an economic agreement with the USSR amounting to nearly \$2 billion, of which more than three-quarters represented a reduction in East Germany's share of Soviet occupation costs.

CEMA recommendations to discuss intensified co-ordination of long-term investments (chiefly in the chemical industry), the use of joint facilities and increased exchange of consumer goods for the future. Their deliberations will probably result in a long-term treaty to be signed between the two countries. In late February, a high-level Czech delegation met with Hungarian leaders in Budapest to discuss mutual economic relations between the two countries. There have also been communiqués between Czechoslovakia and East Germany regarding their intentions to work out longer-range co-ordination between their respective industries. An announcement from Sofia in April discussed the plans of Rumania and Bulgaria for expanding economic and technical co-operation. Poland and Czechoslovakia, in May 1957, set up a Polish-Czechoslovakian Economic Co-operation Committee to settle mutual economic problems and to ensure future co-operation between the two countries.

This spate of bilateral negotiations since the autumn of 1956 has been accompanied by a continuation of CEMA committee meetings. These CEMA sessions, however, have often been only technical in nature. In February, a permanent coal commission within CEMA was established with headquarters in Warsaw. The elected chairman of this new commission is the Polish Minister of Mining. Also in February, CEMA's permanent commission on economic and technical co-operation in corn cultivation met in Budapest.

The Role of Hungary and Poland

The present status of Hungary in the bloc's co-ordinated system is not yet clear. Hungary faces an obvious recalculation of her annual and, perhaps, even her five-year plan, as a result of the recent disruption in her economic productivity. This in itself means at least a temporary breach in the co-ordinated system. The future role of Hungary in the system depends largely upon the desires of the Soviet Union.

It seems clear that Poland is now less closely bound to the bloc by considerations of economic integration than was the case before last autumn. The 1957 annual plan is being altered, Polish officials contend, chiefly to give more consideration to consumer goods and to lay the groundwork for a reallocation of foreign trade—specifically to provide for more trade with the West.* Poland has not withdrawn from CEMA, however, and Polish representatives continue to attend bloc-wide co-ordinating conferences. It would seem, that Poland will retain more initiative

* 1957 trade protocols, however, indicate Poland's trade with the USSR will increase 23 percent over 1956 and Polish imports from the satellites will be 25 percent over 1956.

regarding her specific role in the future within the bloc-co-ordinated system. To this extent, the bloc as such, is and will be less co-ordinated than it was in mid-1956.

Portents for the Future

Apart from technical conferences, a CEMA meeting was scheduled for March 1957 in Moscow to discuss changes in East Germany's Second Five-Year Plan, 1956-1960; as yet, there has been no confirmation that this meeting actually was held. The recent revisions downward of the production plans of virtually all bloc countries implies a revision of their co-ordinated trade plans as well as co-ordination of the new production plans. The CEMA meeting in Moscow may have been scheduled to provide this co-ordination. If so, it might be presumed that the USSR is encouraging a resumption of multilateral negotiations. Also, there is, reportedly, a scheduled session of CEMA for some time in the near future. Finally, there have been persistent reports of a CEMA decision to replace the bloc's bilateral payment system with a multilateral clearing agreement some time in 1957.

Thus, in the brief period which has passed since the uprisings in late 1956, the form of economic negotiations among bloc members shifted, at least temporarily, from one which was primarily multilateral in emphasis to one which has emphasized bilateral negotiations. The recent bilateral agreements probably stem from a Soviet desire to reinforce the foundations of Soviet-Satellite economic ties which are based in Satellite dependence on the USSR. It seems likely, however, that the recently observed predominance of bilateral forces will eventually be replaced, and that multilateral forces will again predominate. There is some evidence that a return to multilateral co-ordination has already begun. The more complete subordination of bilateral negotiations is likely to occur when Moscow feels that the new cement applied to the economic ties existing between the USSR and the Satellites has become sufficiently dry and firm.

The full-scale meeting of CEMA in Warsaw in late June 1957 is indicative of the Soviet desire to return to multilateral system of bloc economic coordination. In the course of this meeting which handled broad problems of mutual economic coordination, a multilateral clearing agreement was signed between member countries.